

Commonwealth of Kentucky
Office of Financial Institutions
Division of Securities
800-223-2579
www.kfi.ky.gov



TIPS FOR ONLINE INVESTORS

Investigate before you invest.

The Online Investor

Developments in technology now allow investors to manage their own investments online, at virtually any hour of the day or night. While online trading can be a “hands-on” learning experience for investors, it may not be appropriate for everyone. Whether you manage your investments on your own via the internet or by working in person with a broker or investment adviser, it is essential that you know what types of securities you are purchasing, how they meet your investment goals, and the risks associated with each investment.

TIPS for Online Investors

The following tips were developed by the North American Securities Administrators Association, Inc. to educate investors and help them think carefully about online investing.

Before beginning an online investment program, be sure to:

Receive full disclosure, prior to opening your account, about the alternatives for buying and selling securities and how to obtain account information if you cannot access the firm's Web site.

Understand that most likely you are not directly to the market, and that the click of your mouse does not instantly execute the trade.

Receive information from the firm to substantiate any advertised claims concerning the ease and speed of online trading.

Receive information from the firm about significant Web site outages, delays and other interruptions to securities trading and account access.

Obtain information about entering and canceling orders (market, limit and stop loss), and the details and risks of margin accounts (borrowing to buy stocks).

Determine whether you are receiving delayed or real-time stock quotes and when your account information was last updated.

Review the firm's privacy and Web site security policies and whether your name may be used for mailing lists or other promotional activities by the firm or any other party.

Receive clear information about sales commissions, transaction fees, and conditions that apply to any advertised discount on commissions.

Know how to contact a customer service representative with your concerns and request prompt and fair consideration. Be sure to keep good records to substantiate any problems that may occur.

Contact the Kentucky Division of Securities to verify the registration status and disciplinary history (if any) of the online brokerage firm, or to file a complaint, if appropriate.

Online Trading and the Short-Term Investor

Some investors use the internet to trade frequently with the hope of profiting from a rapidly changing market. Although the possibility of quick profits may be alluring to some investors, this strategy can be risky. Market volatility, inaccurate information about anticipated changes in stock prices, and delays in the execution of online trades may lead to financial losses.

Did you know...

Electronic trades made through online brokerage accounts represent about 25% of all retail stock trades?

There are 160 brokerage firms that offer online trading services?

The Internet: A New Tool for Financial Management

The Internet has become a round-the-clock source of financial products, services, and information. Electronic trading, or online investing, is also growing in popularity. As more investors explore the Internet for the purpose of personal financial management and investing, it is important to remember that it is just a tool. A working knowledge of basic personal finance, good decision making skills, and an understanding of the potential risks are essential to investing, especially when investors enter cyberspace.

Resources for Online Investors

The following resources may be helpful as you research investment products and services. Always consider the source of the information as you determine the accuracy and credibility of any information obtained online.

Investing Online Resource Center

<http://www.investingonline.org>

North American Securities Administrators Association, Inc.

<http://www.nasaa.org>

U.S. Securities and Exchange Commission Online Investor Education

<http://www.sec.gov/consumer/jneton.htm>

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